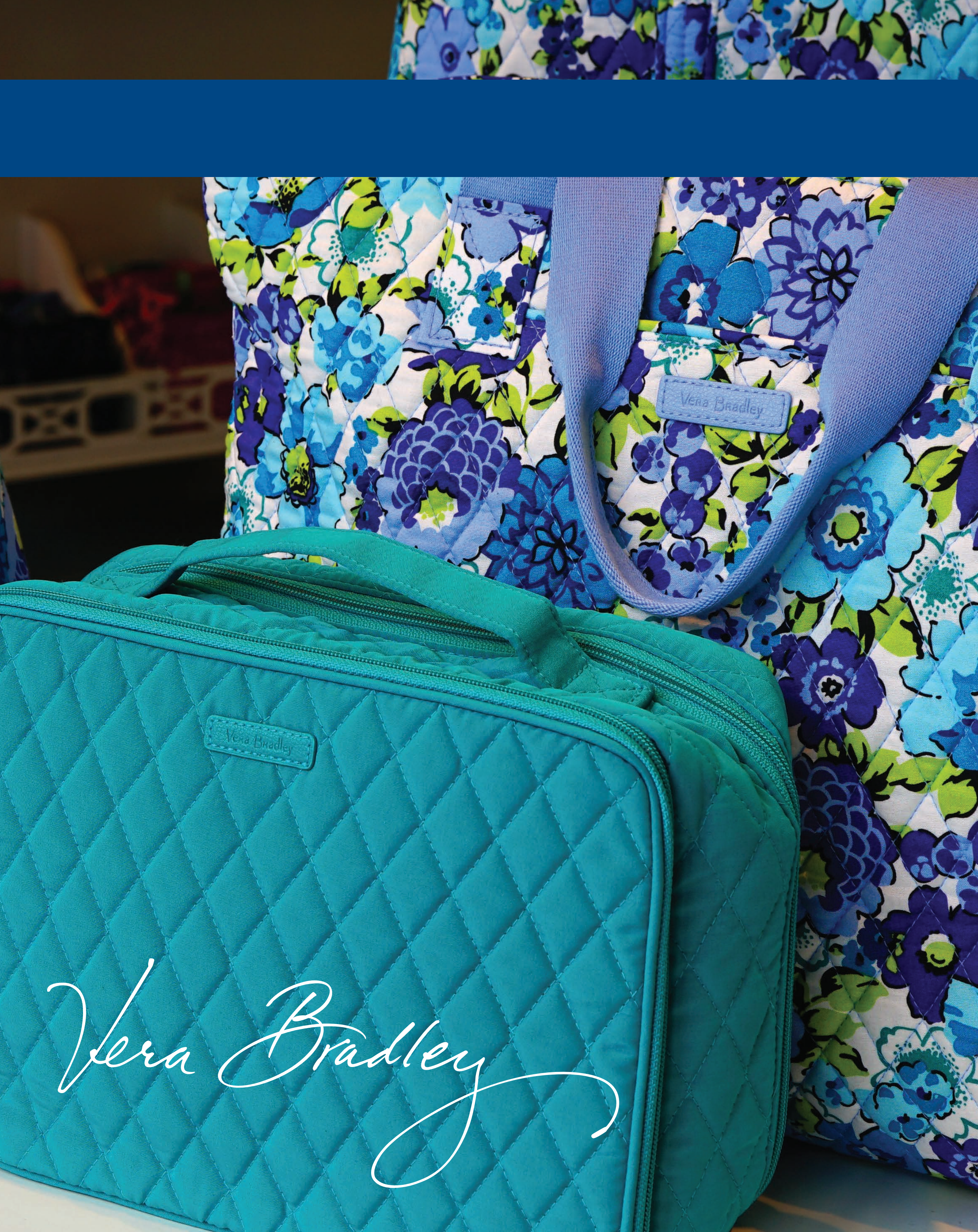
CASE STUDY



Vera Bradley

Vera Bradley achieves cost savings of nearly seven percent through parcel contract analysis and negotiation

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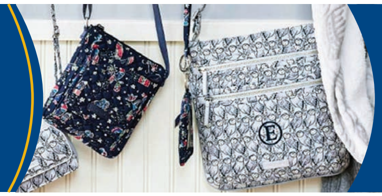


Vera Bradley is a shipper of consumer soft goods, primarily bags, fragrances, luggage and accessories. Vera Bradley has earned a reputation as a leader in the accessories and gift industry. Creating stylish quilted cotton luggage, handbags and accessories, the company combines smart product designs with distinctive and colorful fabrics and trims.

OPPORTUNITY

At the outset of enVista's involvement with Vera Bradley, the company single-sourced its parcel shipping with a national carrier. Shipping almost exclusively out of its Roanoke, IN distribution center, Vera Bradley was shipping nearly 2.8 million packages per year. Vera Bradley engaged enVista to perform an analysis to determine if the existing pricing agreements were in line with the market and if they aligned with the shipper's shipping patterns, package attributes, and business requirements.

ANALYSIS

Using twelve months of carrier invoice data, enVista developed a number of analyses and reports that provided valuable insight into Vera Bradley's parcel shipping.

The Parcel Profile

The first step in understanding a parcel shipping environment is the construction of a parcel profile. This document is designed to provide stakeholders with a high-level view of the parcel links within the supply chain, as well as granular, actionable data. Information is provided concerning service level allocation, package weights, zone distribution, delivery densities, lane utilization, surcharge and accessorial utilization, seasonality, and much more. In general, the parcel profile serves four purposes:

1. Uncover savings opportunities that should be explored prior to, and outside of, a sourcing event
2. Develop a deep understanding of Vera Bradley's transportation activities and needs
3. Provide information that the shipper may not otherwise have regarding its shipping operations
4. Provide all bidders with a rich dataset, thereby reducing carriers' perceived risk, should an RFP be issued

The Operational Abstract

The operational abstract provides all stakeholders with detailed information about what is expected of the selected carrier(s) in terms of service, value-adds, support, etc. This document serves as the roadmap for all project participants as scenarios are developed and options are considered.

The Cost Model

enVista's proprietary cost model provides the most robust, granular, and inclusive cost analysis in the industry. All factors affecting parcel costs are incorporated and accounted for within the model at the package level.

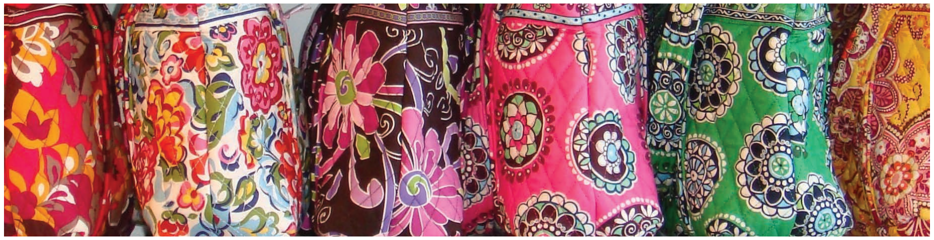
The Benchmark Analysis

Benchmarking is a way of establishing parcel agreement targets and has been a controversial topic over the past several years. Some argue that benchmarking does not provide an apples-to-apples comparison due to the differences in shipper metrics and how they might be calculated differently by carrier. The key to valid and useful benchmarking is in choosing the appropriate benchmark peers. The closer the peers' profiles match the shipper's, the more accurate and valid the benchmarks. This is why it is vitally important to choose a partner with deep experience and visibility in the parcel pricing space.

PROJECT

Based on the results of the benchmark analysis, Vera Bradley engaged enVista to undertake and manage a Parcel Contract Analysis & Negotiation (CAN) project. The benchmark analysis suggested that Vera Bradley was significantly overpaying for parcel services and that savings opportunities existed. Using a strategy built around benchmarking and primary, secondary, and tertiary cost driver analysis, enVista formulated project targets, constructed bidder packets, issued a formal RFP to the bidders, and managed the bidder communication plan on behalf of Vera Bradley. Once all carrier bids had been received and analyzed, enVista presented Vera Bradley with multiple carrier award scenarios, each representing varying levels of risk and return. Vera Bradley chose to pursue a single-carrier solution, which provided the maximum net cost savings.

Carrier One (the incumbent) initially offered concessions which provided nominal annual savings. Carrier One's proposal seemed overly conservative, providing only minimally improved transportation discounts, which also lowered the fuel surcharge somewhat. Conversely, Carrier Two's offer was relatively aggressive, providing more impressive savings. In addition to improved discounts, Carrier Two's proposal included significant concessions on specific requested concessions and DIM weighting.



Although Carrier Two's proposal was aggressive, benchmarking suggested that gaps on several key cost drivers remained. enVista developed a second-round negotiation strategy and carrier-specific guidance statements to assist both carriers in developing their second-round proposals.

VERA BRADLEY SAVINGS

Extensive discussions eventually resulted in final proposals from both carriers, with both significantly improving their initial proposals. Carrier Two's final offer provided substantial annual cost savings of nearly seven percent while Carrier One offered concessions which provided only slightly higher annual savings than its original proposal. As always, enVista evaluated not only the landed transportation costs but also provided an analysis of the fully loaded cost to serve for the entire parcel portfolio.

After accounting for switching costs, carrier-specific value adds, network and operational optimization opportunities, resource and asset requirements, and carrier-provided resources, it was determined that Carrier Two offered a total value proposition that was significantly greater than Carrier One over a three-year period.

With enVista's assistance, Vera Bradley designed and executed a transition plan to allow for a smooth, efficient cut over of parcel volumes with minimal impact to both external and internal customers.

"enVista's consulting services have freed up time and money within our organization, allowing our team to invest in other strategic initiatives. enVista serves as an extension of our supply chain, and we value the long-term partnership we have built with enVista over the years."

- Director of Global Transportation & Trade for Vera Bradley

TAKEAWAY

The hinge pin to the success of this project was Vera Bradley's ability and willingness to undertake a carrier change. In this instance, Carrier Two was able to offer the superior value. In other scenarios, Carrier One, a mix of national carriers, or the addition of regional/niche carriers may represent the optimal solution. The key is building carrier independence and maintaining a flexible network. Building relationships with vendors, particularly parcel carriers, is always a worthwhile goal. However, care must be taken that those relationships do not become chains that bind a shipper too closely to its current carrier.

Carriers will attempt to forge these chains in two ways. The simplest method carriers use to achieve this goal is through the agreement itself. Both national carriers now regularly try to put early termination penalties into their pricing agreements, as well as including termination language that will remove discounts if the shipper opens the agreement to renegotiation during the agreement term or fails to meet minimum volume thresholds.

These sorts of tactics should not be tolerated. Revenue based discounts and agreement out-clauses provide carriers with adequate protection against low-volume, high-discount scenarios. Additional punitive terms and conditions are not only against the shipper's best interest, they are also unnecessary. Shippers can also become bound to their carriers through customized services or operations.

One of the benefits of a good relationship with a carrier is the ability to implement custom solutions to shipping needs. Late pickups, carrier-provided hardware and software, direct drops and zone skips/jumps – the list of things carriers can and will do for their valued customers is endless. However, allowing these customized solutions to become so ingrained in the supply chain that a shipper cannot live without them is a mistake many shippers make. The moment a carrier becomes irreplaceable is the moment the shipper loses all ability to impact the price it pays for carrier services. This is not to say that carriers cannot be enlisted to solve problems or provide solutions. However, it is imperative that as carriers are called upon to provide value that the shipper develop alternative solutions and devise strategies for retaining its independence. This independence gives shippers the only piece of leverage in the carrier relationship. Retaining it is the key to success in achieving equitable, cost-effective parcel agreements in the future.